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50X1-HUM

-2-

was selling for 80-100 East Marks on the black market, the price varying with the amount of ammunition supplied. The purchasers include Communist officials and members of the People's Police. When the latter go on furloughs they are not allowed to take their official pistols along. They feel, however, it is better to be armed - just in case.

6. "The few Soviet officers and soldiers who have remained in Leipzig are now the only persons who can supply the black market with certain scarce commodities. Leica cameras for instance can be purchased in HO (State-controlled) shops for the relatively low price of 1,800 EM, but only one camera may be sold to a German civilian and the purchase is marked on his identification card. In contrast, Soviet military and civilian officials can buy such cameras without limitations. They buy Leicas in the HO shops and resell them to black market dealers for 2,000-2,300 EM apiece. Even at these high prices they are readily bought up. Smuggled to Western Germany these cameras can be resold for over 700 West Marks, the equivalent of over 3,000 East Marks.
7. "Another black market item proceeding through Soviet channels in Leipzig are furs. The once famous Leipzig fur industry is almost completely dead. The famous private fur shops around the Bruehl Terrassen are facing liquidation. Today raw furs are being imported to the Soviet Zone exclusively from the USSR and processed at the well known furrier workshops in Schkeudnitz. All large businesses in this Leipzig suburb were taken over by State and Soviet organizations. The German shops get only poor quality remnants in very limited quantities. The Soviet fur trade administration steadily places a certain amount of finished furs on the black market at prices, which compared to Western prices, are rather low. A first class Persian lamb coat, which costs about \$1,000 in the West, can be bought on the Leipzig black market for 6,000 East Marks (about \$300 at black market exchange rate). In autumn 1952 the Soviet authorities started a drive to weed out the fur black market. It is known that several employees of the Soviet fur trade administration have disappeared, either arrested or recalled to the USSR. They have been replaced by new arrivals from the USSR. Despite these measures the Leipzig black market in furs still flourishes. The turnover in other items sharply diminished during the second half of 1952.

General Black Market Trends

8. "In a free economy prevailing prices depend on and fluctuate according to supply and demand. Under the Communist system prices are regulated by the fixed State prices on one hand, and by the actual cost of production on the other. As a result of rationing, and existing shortages in certain commodities, the black market flourishes and its prices lie somewhere between the fixed State prices and the production costs. Within this limitation black market prices fluctuate according to existing supply and demand, very much like the prices in a free economy.
9. "In this respect the situation is very similar in all Communist ruled countries. In the Soviet Zone of Germany, as in Poland, there are actually three markets:
 - (a) The rationed State market,
 - (b) The State controlled free market,
 - (c) The private black market
10. "The relation between the three, and particularly between (b) and (c) is similar in all satellite countries:
 - (a) Prices on the State-controlled free market are about 30-50% higher than those on the rationed market;
 - (b) Producers, i.e. farmers, can sell their products on the State free market for higher prices than they receive from black marketeers;
 - (c) Prices on the black market are lower than on the State-controlled free market.
1. "This strange situation results from the fact that the income farmers receive from selling their products to the State is strictly controlled and subject to taxation.

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50X1-HUM

-3-

The money they receive from black marketeers is their clean profit (minus production costs) and evades State control. Competing with the State's free market, black marketeers offer lower prices to their customers; even so the black marketeers make a profit because they also buy at lower prices and have no overhead.

12. "This strange relationship between the prices of the State-controlled free market and of the black market may be illustrated in the following:

The average price of pork on the State free market in the Soviet Zone in December 1952 was: 12.- East Marks per kg

The black market price was only 7-8.- East Marks per kg.;

At the same time, black marketeers were buying the pork from the farmers for 5-6.- East Marks per kg, while the State-owned wholesale organizations offered 6-8.- East Marks per kg to the farmers.

13. "Although the State price is higher than that paid by the black marketeers, the farmer gets more profit from selling to the latter because he must pay about 25% income tax on the money he receives from the State for his product. In all commodities with which the black market is competing with the State free market, the same characteristics may be observed.
14. "Throughout the Soviet Zone of Germany the black market is now December 1952 making considerable profit because it is turning more and more to barter deals. It has become quite customary for black marketeers no longer to offer cash to the farmers, but instead some useful industrial product in short supply on the market. This is not only more profitable for both sides, but is also much safer. If caught even red-handed by the authorities, such deals can be well 'explained' as a mutual exchange of gifts. During the second half of 1952 quite a number of such cases which appeared before East German courts were dismissed on the basis of such argumentation.
15. "Another black market racket is the falsification of food ration coupons. The quaint feature of this racket is that these forged coupons seldom get into circulation. They are merely kept in reserve by shopkeepers and employees of State-owned shops, the principal dealers in this racket, to cover up missing amounts of rationed food items should an unexpected inspection be carried out by the authorities. The forged ration coupons are being printed for this special purpose. The missing food commodities are sold, of course, privately for black market prices.

Collectivization Drive

16. "In late autumn 1952 the Communist administration of the GDR started an intensive drive against all these black market manipulations. In an effort to catch the bull by the horn, rather than hunt for the innumerable black market dealers (almost everybody is involved in black market dealings one way or another), farmers are first being subjected to more rigid controls, backed by stiff penalties (imprisonment and fines). The drive is being used also as means to step up collectivization. Property, at times whole farms, is being confiscated for collectivization.
17. "There are three types of Kolkhozes in the GDR, as in the other satellite countries:
- Type # 1: Where the farmer remains the owner of his land, but the cultivation is on a collective basis. The arable land, vegetable gardens and meadows are managed on a collective basis. His forests are left for his individual exploitation. He also keeps the livestock for himself. The clearing of accounts is done through the collective.
- Type #2: Similar to Type # 1, with the difference that the owner transfers the possession of his arable land to the kolkhoz. All other property remains his private possession. The owner's work for the kolkhoz is subject to special accounting procedures.
- Type # 3: The farmer signing the kolkhoz contract turns over all his property to the kolkhoz, including cattle, implements and machinery. For his labor he receives his share in cash and kind at the end of the year along with the other kolkhoz members. For his private use he may retain a small vegetable garden, a maximum of two cows with calves, two pigs and one horse or one ox.

The Government and the CP are now December 1952 exerting pressure to transform all kolkhozes into Type # 3.

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-4-

50X1-HUM

18. "This new collectivization drive has evoked much dissatisfaction over the Soviet Zone and has resulted in a number of incidents. Shortly before Christmas 1952, for example, clashes occurred in the area of Borna and Pegau, near Leipzig. The collectivization commission was badly beaten up by the villagers. Many arrests were made. The Communist press printed only brief items about these incidents with the explanation that some drunk farmers had attacked State functionaries on duty. In other regions around Leipzig, e.g., in Bad Lausick, the collectivization drive had more success. In several villages new kolkhozes were set up before Christmas, the majority of them being Type #3. Some farmers, having no way of resisting the Communist pressure, abandoned their farms, left all their possessions behind and escaped with their families to the West."

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